

Message Text

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ACTION XMB-07

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 3488

LIMITED OFFICIAL USE MANILA 5717

PASS EXIMBANK

E.O. 11652: N/A

TAGS: BEXP, RP

SUBJECT: EXIM FINANCING OF L-100 FOR PHILIPPINES

REF: MANILA 3739

1. OFFICE OF EXECUTIVE SECRETARY MELCHOR HAS AGAIN RAISED WITH EMBASSY QUESTION OF EXIMBANK FINANCING GOP ACQUISITION OF L-100. LATEST APPROACH BASED IN PART ON INFORMATION DEVELOPED BY ARTHUR ALVENDIA OF DEVELOPMENT MANAGEMENT STAFF (DMS) DURING RECENT DISCUSSION WITH EXIM DEPUTY VICE PRESIDENT KUGE. FOLLOWING IS PRIMARILY TO INFORM EXIM OF CURRENT GOP REACTIONS TO THIS DISCUSSION.

2. ACCORDING REPORT FROM ALVENDIA, EXIMBANK HAS INDICATED IT WILL RECONSIDER L-100 LOAN APPLICATION, PROVIDED FOLLOWING INFORMATION IS SUBMITTED: (A) LETTER OF APPLICATION; (B) ASSURANCE OF PHILIPPINE GOVERNMENT GUARANTEE (C) BACKGROUND INFORMATION OF PADC, PATC ORGANIZATION CHARTER, RELATION TO GOVERNMENT, PRESENT STATUS, PROJECTED OPERATIONS, FINANCES; (D) DETAILS ON PROJECTED USE OF AIRCRAFT; (E) FEASIBILITY STUDY ON AIR CARGO PROJECT; (F) INFORMATION ON PILOT TRAINING PROGRAM; (G) TIMING OF

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TRANSFER OF L-100'S TO PATC; (H) BACKGROUNDER ON HELICOPTER

PROJECT.

3. MELCHOR'S STAFF CURRENTLY ASSEMBLING INFORMATION REQUESTED BY EXIMBANK. SOME DOCUMENTATION READILY AVAILABLE AND HAS ALREADY BEEN SENT TO PHILIPPINE EMBASSY IN WASHINGTON; HOWEVER, OTHER REQUIREMENTS ARE MORE DIFFICULT TO FULFILL AT THIS TIME. FOR EXAMPLE, PHILIPPINE AEROTRANSPORT CORPORATION (PATC) WAS INCORPORATED EARLY THIS MONTH (WITH 71 PERCENT EQUITY HELD BY PHILIPPINE AEROSPACE DEVELOPMENT CORPORATION - PADC) AND ADDITIONAL PERIOD NECESSARY TO FULLY FLESH OUT ORGANIZATIONAL AND FINANCIAL STRUCTURE. SIMILARLY, FULL-FLEDGED STUDY OF AIR CARGO INDUSTRY/MARKET CANNOT BE ACCOMPLISHED IN SHORT TIME. MOREOVER, GOP GOAL IS TO USE L-100 AS CATALYST IN DEVELOPING AIR CARGO INDUSTRY (INCLUDING INTERNAL) RATHER THAN SIMPLY TO MEET EXISTING DEMAND.

4. DMS FULLY CONFIDENT IT CAN SATISFY EXIM'S INFORMATIONAL NEEDS OVER NEXT FEW MONTHS.

5. AS FOR PADC, PRESIDENTIAL DECREES NOS. 286 AND 346 AUTHORIZE IT TO ENGAGE IN FULL SPECTRUM OF AEROSPACE ACTIVITIES (INCLUDING AIRCRAFT OWNERSHIP AND INVESTMENT IN OTHER COMPANIES) AND FURTHER AUTHORIZE COOPERATION TO CONTRACT LOANS OF UP TO \$1 BILLION WITH FULL GOVERNMENT GUARANTEE. (SEE MANILA A-89 FOR DETAILS).

6. ACTION REQUESTED: WOULD APPRECIATE EXIMBANK CONFIRMATION THAT CONTENTS PARA 2 ARE ACCURATE REFLECTION INFORMATION PROVIDED ALVENDIA.
SULLIVAN

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